

AMENDED IN SENATE MARCH 24, 2011

**SENATE BILL**

**No. 773**

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**Introduced by Senator Negrete McLeod**

February 18, 2011

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An act to amend Section ~~5063~~ 5094 of the Business and Professions Code, relating to accountants.

LEGISLATIVE COUNSEL'S DIGEST

SB 773, as amended, Negrete McLeod. Accountants.

*Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law also creates the Advisory Committee on Accounting Ethics Curriculum and empowers that committee to determine that a course or a portion of a course of accounting education satisfies the ethics study requirement of 20 units.*

*This bill would make a conforming change.*

~~Existing law provides for the licensure and regulation of accountants by the California Board of Accountancy in the Department of Consumer Affairs. Existing law requires a licensee to report to the board in writing the occurrence of certain events within 30 days of the time the licensee has knowledge of those events, including any restatement of a financial statement and related disclosures by a client audited by the licensee.~~

~~This bill would exempt from the reporting requirement a restatement or related disclosure if included in any report filed and furnished to the Securities and Exchange Commission, or if the restatement or disclosure was made solely due to a change in law, rules and regulations, or standards.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~yes~~-no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. Section 5094 of the Business and Professions*  
2     *Code is amended to read:*

3     5094. (a) In order for education to be qualifying, it shall meet  
4     the standards described in subdivision (b) or (c) of this section.

5     (b) At a minimum, education must be from a degree-granting  
6     university, college, or other institution of learning accredited by  
7     a regional or national accrediting agency included in a list of these  
8     agencies published by the United States Secretary of Education  
9     under the requirements of the Higher Education Act of 1965 as  
10    amended (20 U.S.C. Sec. 1001, et seq.) and, after January 1, 2014,  
11    shall also, at minimum, include 10 units of ethics study consistent  
12    with the regulations promulgated pursuant to subdivision (b) of  
13    Section 5094.6 and 20 units of accounting study consistent with  
14    the regulations promulgated under subdivision (c) of Section  
15    5094.6. ~~The Accounting Education Advisory Committee on~~  
16    ~~Accounting Ethics Curriculum~~ established under Section 5094.5  
17    may determine that a course or a portion of a course satisfies the  
18    ethics study requirement. Nothing herein shall be deemed  
19    inconsistent with prevailing academic practice regarding the  
20    completion of units.

21    (c) Education from a college, university, or other institution of  
22    learning located outside the United States may be qualifying  
23    provided it is deemed by the board to be equivalent to education  
24    obtained under subdivision (b). The board may require an applicant  
25    to submit documentation of his or her education to a credential  
26    evaluation service approved by the board for evaluation and to  
27    cause the results of this evaluation to be reported to the board in  
28    order to assess educational equivalency.

29    (d) The board shall adopt regulations specifying the criteria and  
30    procedures for approval of credential evaluation services. These  
31    regulations shall, at a minimum, require that the credential  
32    evaluation service (1) furnish evaluations directly to the board, (2)  
33    furnish evaluations written in English, (3) be a member of the  
34    American Association of Collegiate Registrars and Admission  
35    Officers, the National Association of Foreign Student Affairs, or  
36    the National Association of Credential Evaluation Services, (4) be  
37    used by accredited colleges and universities, (5) be reevaluated by  
38    the board every five years, (6) maintain a complete set of reference

materials as specified by the board, (7) base evaluations only upon authentic, original transcripts and degrees and have a written procedure for identifying fraudulent transcripts, (8) include in the evaluation report, for each degree held by the applicant, the equivalent degree offered in the United States, the date the degree was granted, the institution granting the degree, an English translation of the course titles, and the semester unit equivalence for each of the courses, (9) have an appeal procedure for applicants, and (10) furnish the board with information concerning the credential evaluation service that includes biographical information on evaluators and translators, three letters of references from public or private agencies, statistical information on the number of applications processed annually for the past five years, and any additional information the board may require in order to ascertain that the credential evaluation service meets the standards set forth in this subdivision and in any regulations adopted by the board.

~~SECTION 1. Section 5063 of the Business and Professions Code is amended to read:~~

~~5063. (a) A licensee shall report to the board in writing of the occurrence of any of the following events occurring on or after January 1, 1997, within 30 days of the date the licensee has knowledge of these events:~~

~~(1) The conviction of the licensee of any of the following:~~

~~(A) A felony.~~

~~(B) Any crime related to the qualifications, functions, or duties of a public accountant or certified public accountant, or to acts or activities in the course and scope of the practice of public accountancy.~~

~~(C) Any crime involving theft, embezzlement, misappropriation of funds or property, breach of a fiduciary responsibility, or the preparation, publication, or dissemination of false, fraudulent, or materially misleading financial statements, reports, or information.~~

~~As used in this section, a conviction includes the initial plea, verdict, or finding of guilt, pleas of no contest, or a pronouncement of sentence by a trial court even though that conviction may not be final or sentence is not actually imposed until all appeals are exhausted.~~

~~(2) The cancellation, revocation, or suspension of a certificate or other authority to practice, or refusal to renew a certificate or~~

1 ~~other authority to practice as a certified public accountant or a~~  
2 ~~public accountant, by any other state or foreign country.~~

3 ~~(3) The cancellation, revocation, or suspension of the right to~~  
4 ~~practice as a certified public accountant or a public accountant~~  
5 ~~before any governmental body or agency.~~

6 ~~(b) A licensee shall report to the board in writing the occurrence~~  
7 ~~of any of the following events occurring on or after January 1,~~  
8 ~~2003, within 30 days of the date the licensee has knowledge of the~~  
9 ~~events:~~

10 ~~(1) Any restatement of a financial statement and related~~  
11 ~~disclosures by a client audited by the licensee that is not included~~  
12 ~~in any report filed and furnished to the Securities and Exchange~~  
13 ~~Commission, or that is not solely due to a change in law, rules and~~  
14 ~~regulations, or standards.~~

15 ~~(2) Any civil action settlement or arbitration award against the~~  
16 ~~licensee relating to the practice of public accountancy where the~~  
17 ~~amount or value of the settlement or arbitration award is thirty~~  
18 ~~thousand dollars (\$30,000) or greater and where the licensee is not~~  
19 ~~insured for the full amount of the award.~~

20 ~~(3) Any notice of the opening or initiation of a formal~~  
21 ~~investigation of the licensee by the Securities and Exchange~~  
22 ~~Commission or its designee.~~

23 ~~(4) Any notice from the Securities and Exchange Commission~~  
24 ~~to a licensee requesting a Wells Submission.~~

25 ~~(5) Any notice of the opening or initiation of an investigation~~  
26 ~~by the Public Company Accounting Oversight Board or its~~  
27 ~~designee, as defined pursuant to subdivision (g).~~

28 ~~(e) A licensee shall report to the board in writing, within 30~~  
29 ~~days of the entry of the judgment, any judgment entered on or after~~  
30 ~~January 1, 2003, against the licensee in any civil action alleging~~  
31 ~~any of the following:~~

32 ~~(1) Dishonesty, fraud, gross negligence, or negligence.~~

33 ~~(2) Breach of fiduciary responsibility.~~

34 ~~(3) Preparation, publication, or dissemination of false,~~  
35 ~~fraudulent, or materially misleading financial statements, reports,~~  
36 ~~or information.~~

37 ~~(4) Embezzlement, theft, misappropriation of funds or property,~~  
38 ~~or obtaining money, property, or other valuable consideration by~~  
39 ~~fraudulent means or false pretenses, or other errors or omissions.~~

1     ~~(5) Any actionable conduct by the licensee in the practice of~~  
2     ~~public accountancy, the performance of bookkeeping operations,~~  
3     ~~or other professional practice.~~

4     ~~(d) The report required by subdivisions (a), (b), and (c) shall be~~  
5     ~~signed by the licensee and set forth the facts that constitute the~~  
6     ~~reportable event. If the reportable event involves the action of an~~  
7     ~~administrative agency or court, then the report shall set forth the~~  
8     ~~title of the matter, court or agency name, docket number, and dates~~  
9     ~~of occurrence of the reportable event.~~

10    ~~(e) A licensee shall promptly respond to oral or written inquiries~~  
11    ~~from the board concerning the reportable events, including inquiries~~  
12    ~~made by the board in conjunction with license renewal.~~

13    ~~(f) Nothing in this section shall impose a duty upon any licensee~~  
14    ~~to report to the board the occurrence of any of the events set forth~~  
15    ~~in subdivision (a), (b), or (c) either by or against any other licensee.~~

16    ~~(g) The board may adopt regulations to further define the~~  
17    ~~reporting requirements of this section.~~